

## **Enrolled Agent Background**

- ▶ Treasury Department Circular No. 230 sets forth rules governing "practice before the IRS," defined to include all matters connected with a presentation to the IRS or any of its officers or employees related to a client's rights, privileges, or liabilities under the laws and regulations administered by IRS.
- ▶ Enrolled agents, along with Attorneys, and CPAs are all authorized to practice before the IRS.
- ▶ An Enrolled agent's technical competency is determined through a qualifying examination or past IRS employment experience (see sections 10.4 – 10.6 of Circular 230).
- ▶ The Office of Professional Responsibility administers the Special Enrollment Examination to individuals who wish to practice before the IRS. Individuals wishing to become an enrolled agent must also pass a background check.
- ▶ There are approximately 42,000 Enrolled Agents as of September 30, 2004.

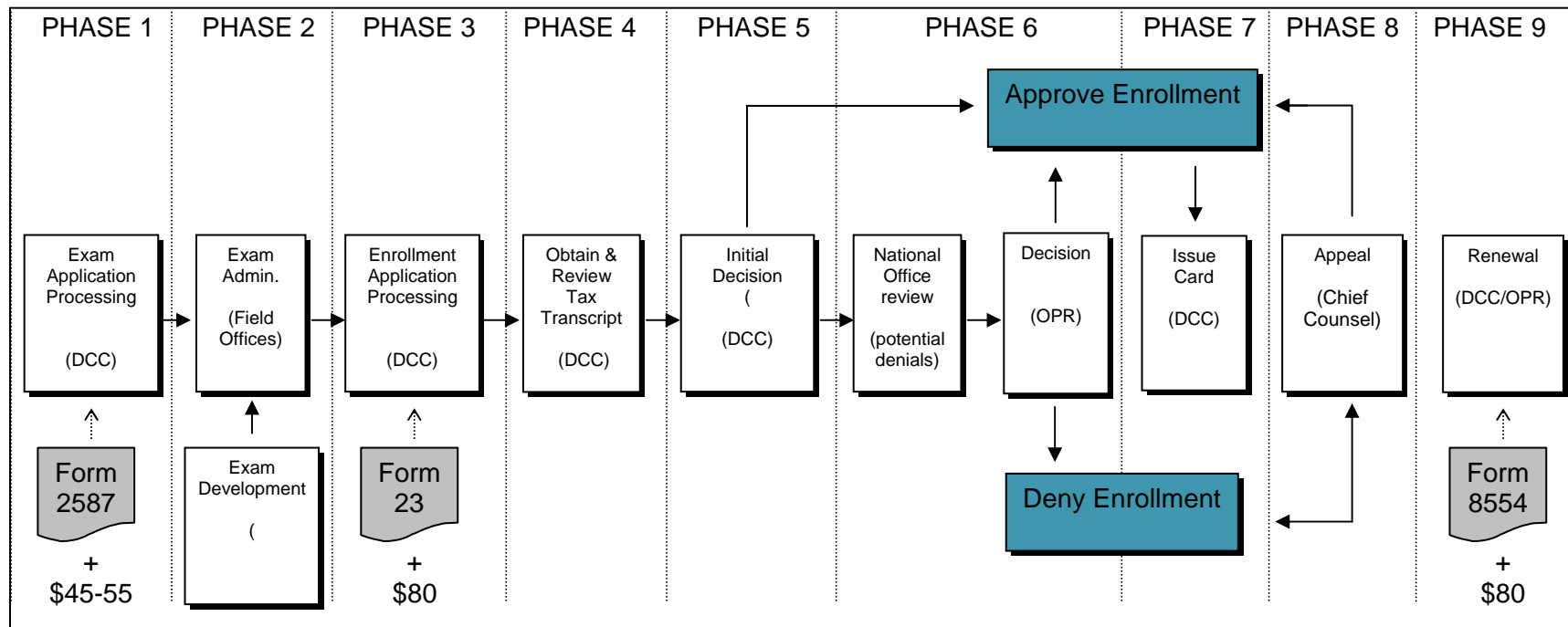
### **Weaknesses in the current exam and enrollment process -**

- ▶ The test is currently developed by IRS personnel. While the employees engaged in this process have a high degree of technical tax law expertise, they have not received specific training, nor do they hold credentials in the area of formulating effective test questions. We would like a greater assurance that test questions are appropriately worded and the test accurately assesses the skills and knowledge required to represent taxpayers before the IRS.
- ▶ The current examination administration process is labor-intensive and disruptive to normal workflows in many IRS offices, and so is available only once a year.
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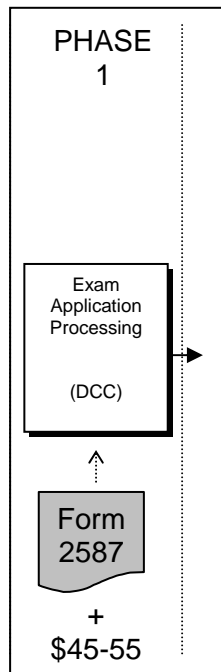
- ▶ It takes approximately three months before applicants are notified of their scores and their eligibility to apply for enrollment.
- ▶ If an applicant does not pass all sections of the examination at one testing, the passing scores from some sections may be carried over to another year's examination, leading to complex record keeping.

## PHASES OF THE CURRENT ENROLLMENT PROCESS

### Current Enrollment Process (High-Level)



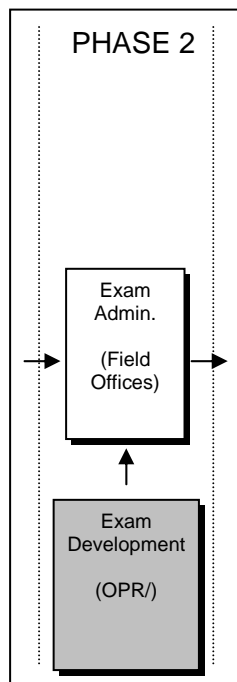
## Phase 1 – Exam Application Processing



### ► Major Activities

- Candidate obtains Form 2587 from IRS offices or prints one on-line
- Candidate submits a Form 2587 and fee (\$45-55)
- Form and fee is sent to a bank lockbox where the fees are deposited
- The form is sent to the OPR office at the Detroit Computing Center (DCC)
- DCC receives the form and enters the candidate data into the Enrolled Practitioner System (EPS)
- EPS assigns the applicant a candidate number, access PIN for a secure web site, and assigned exam location
- DCC sends the candidate an acknowledgement letter confirming the exam location, candidate number, access PIN, and other general information

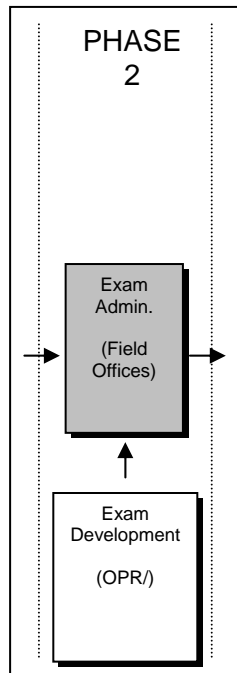
## Phase 2 – Exam Development



### ► Major Activities

- An IRS task force drafts test questions
- The Office of Chief Counsel reviews the questions
- External review of the exam by outside professionals
- OPR contracts with a printing company to publish the exam

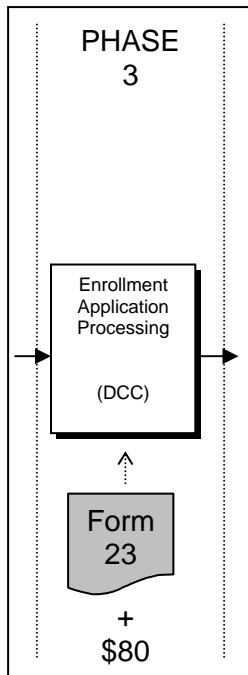
## Phase 2 – Exam Administration



### ► Major Activities

- OPR contact local IRS offices to request exam locations and employees to serve as test coordinators
- OPR conducts computer based training sessions with test coordinators to cover procedures for test proctoring
- Candidate takes the exam at a local IRS office or non-IRS facility
- Test coordinators proctor exams and send them back to DCC
- DCC receives the exams and scores them using an optical character reading software and EPS
- DCC updates the candidates record in EPS on whether they passed, partially passed, or failed
- Results are posted on a secure website for candidates to log in using their PIN
- OPR coordinates with IRS Distribution Center to send candidates their exam scores (and Form 23 for those passing all sections) by mail

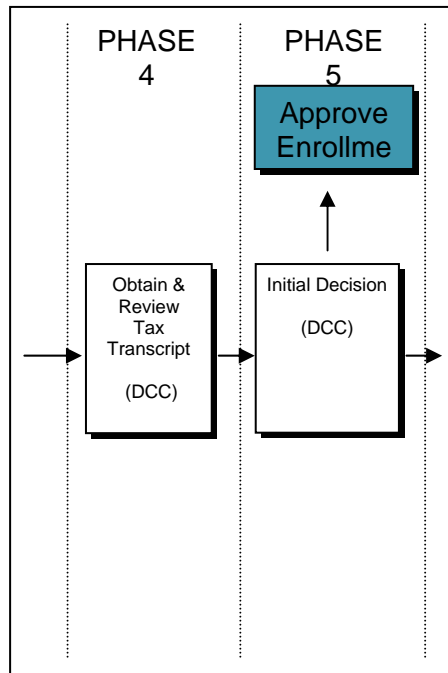
## Phase 3 – Enrollment Application Processing



### ► Major Activities

- Passing applicants submits Form 23 and a fee (\$80)
- Form and fee is sent to bank lockbox where the fee is deposited and the form is forwarded to DCC
- DCC receives the form and updates the applicant's information in EPS
- DCC sends a letter notifying the applicant that the form and fee were received

## Phase 4 – Obtain and Review Tax Transcript & Phase 5 – Initial Decision

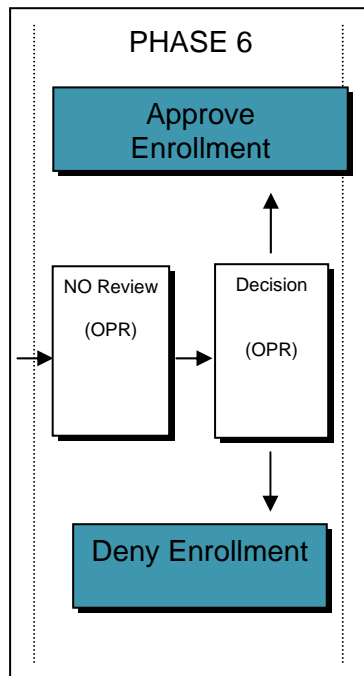


### ► Major Activities

- DCC orders the candidate's tax history transcript and sends inquiry letters to local offices and TIGTA
- DCC reviews the applicant's case file for derogatory information that would be a cause for denial
- If the candidate does not have any derogatory information contained with their tax transcript or other inquiries, DCC is authorized to approve the candidate for enrollment (majority of cases)
- If the candidate does have derogatory information (cause for denial), DCC transfers the case file to OPR for review and decision



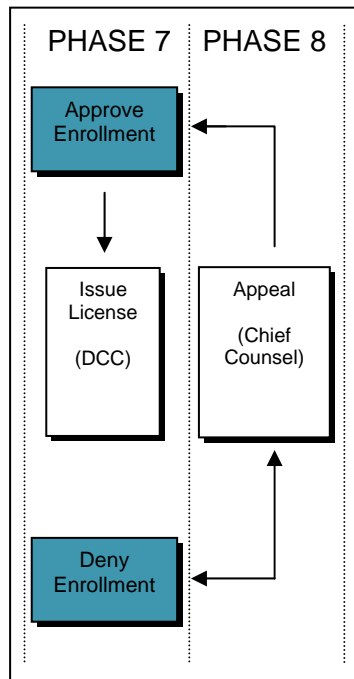
## Phase 6 – National Office Review and Decision



### ► Major Activities

- The case is assigned to an National Office attorney/paralegal to review the applicant's case file
- If the decision is denial, a notification letter is drafted sent to the applicant
- OPR forwards the case file back to DCC

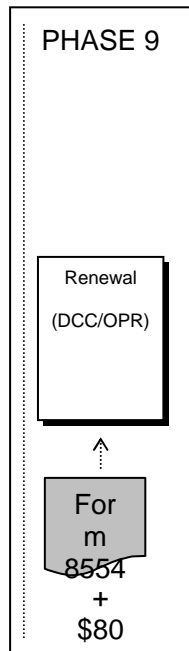
## Phase 7 – Issue License & Phase 8 – Appeal



### ► Major Activities

- DCC updates applicant's record in EPS
- If candidate is approved by OPR, DCC sends the applicant's enrollment certificate and card with an assigned enrollment number
- Denied applicants may appeal to IRS by replying with a written statement
  - Appeals are forwarded to the Office Chief Counsel

## Phase 9 – Renewal



- ▶ All Enrolled Agents must renew their licenses every three years, attesting that they have met continued professional education (CPE) credit requirements
- ▶ Major Activities
  - Enrolled Agent submits Form 8554 and fee (\$80)
  - Form and fee are forwarded to bank lockbox and renewal form is sent to DCC
  - DCC reviews forms for other causes for denial (I.e., answered “yes” to failing to file taxes, convicted of a crime, etc.)
  - DCC issues new enrollment cards